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ABSTRACT

Administrators of higher education are facing a challenge and opportunity that parallels those faced by managers in American business. The economic situation presents a struggle to make ends meet as well as an opportunity to sharpen its role in society, to redefine its goals. Administrators in both fields are using management-by-objective theories to approach the problems. Since the author is chief executive of U.S. Steel Corporation, the parallels are drawn with the steel industry in particular. Substantial contributions to efficiency and cost reductions have been made in industry for a number of years through programs that are designed to encourage total employee participation. U.S. Steel, in cooperation with NACUBO, has established a Cost Reduction Incentive Award Program to tap the ideas of people on campus. The ideas are then shared with other institutions through the facilities of NACUBO. (JMF)

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Business—Education: Parallels in Management

by Edgar B. Speer

"Performance management" is something that managers in the business world are always trying to achieve. In fact, business managers go out to the campus —or hire faculty members as consultants—in an effort to get new ideas and new perspectives on achieving better performance.

If I remember correctly, it was at least fifty years ago that Professor Elton Mayo of Harvard began developing some of the theories that eventually became part of the approach to human relations in business. Since then, almost everything that is included in the concept of modern or scientific management was conceived on the campus, and refined in industry.

Customer of Higher Education

On the other hand, business is a primary customer of America's colleges and universities. It depends upon the institutions of higher education to supply the new talent that is constantly needed to staff its management teams. From this standpoint, the members of business should be interested in how such institutions are being managed. As the quality of this management affects the quality of education, it has a very direct bearing on the continuing ability to manage the assets and resources of American business and industry. The fact is that those who help to manage business and the people who share responsibility for managing the business of education have quite a bit in common, including economic problems.

Colleges and universities are facing demands for higher wages and salaries; sharply rising costs for energy, maintenance and new construction; and those regulations mandated by government that only add to the cost burden. And always in the background is the threat that institutions may well price themselves out of the market, if all of the higher costs are passed along to the customer.

This is a very familiar story to anyone in business—especially anyone who has been in the steel business for any length of time. We've had plenty of experience in steel with the "boom and bust" syndrome. The decade or so following World War II was a period of high demand for the American steel industry, quite similar to the decade of the 1960s in higher education. And about the same time that demand for the products and services of higher education began to grow, demand for American steel began to taper off.

It was a difficult time for steel company managers. Since much of the new, postwar steelmaking equipment was designed for high volume production, good rates of productivity were often hard to come by. Profits declined. Competition—while always stiff in the steel business—became intense. And foreign steelmakers—using equipment paid for largely with American dollars—took advantage of domestic labor problems to capture a sizeable share of steel markets here at home, often with unfair trade practices.

Of course, the experience of the steel industry is not unusual in the American economy. With variations, it happens in almost every industry from time to time. Competition, technical progress, the shifting needs and desires of the American consumer are constantly moving the lines on the sales and profit charts up and down. You might say that it "comes with the territory."

While it's certainly no picnic when it's happening, there are positive results. A very real source of America's economic strength and progress lies in the incentives that are generated during the bad times, and which produce the efficiencies . . . the better procedures . . . the elimination of unnecessary or unproductive activities that benefit everyone in the good times.

It's true that the extended period of poor demand experienced in the steel industry continues to affect its ability to supply all of the steel America needs when the economy is moving ahead at a good pace. But the companies that make up the industry today are more efficient

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business organizations because of their past problems—certainly U.S. Steel is. Certainly the quality of steel products produced in this country is higher. The services offered to steel users are greater.

. . . business is a primary customer of America's colleges and universities. It depends on the institutions of higher education to supply the new talent . . . to staff its management teams.

The situation that administrators are facing on the American campus represents a similar challenge and opportunity. What they are confronted with is not only a struggle to make ends meet—which is a difficult struggle—but also an opportunity to help higher education to sharpen its role in society. This is not to imply that education hasn't recognized its proper role in the continued progress of the nation. But every institution of learning—just as every competitive business—needs to question where it's going and why, before the public begins to question its existence.

The great art in management—as in life—is not so much knowing all the answers, but in knowing what questions to ask. If there is a key to understanding why certain businesses survive during the good times and the bad, while others pass from the scene, it can be found in the ability of some managers to ask the right questions of their associates. These are the managers who locate the sources of high or unnecessary costs. They are the ones who find the unproductive activities. They set the priorities straight. And they create strong and effective organizations in the process.

Direct Comparison Not Possible

It isn't possible, of course, to make a direct comparison between the current situation in education, and the ones faced from time to time in private enterprise. Faculty members aren't always as impressed by a balance sheet as are the foremen and plant managers of industry. And it must be far more difficult to measure the efficiency of a department of English or engineering than a plant that's producing steel.

It isn't necessary to get involved in a discussion of management theories and their application. Most administrators are well versed in such approaches as "management by objective." Certainly they have access to the business schools that keep a watchful eye on the relative merits and success of the many approaches that can be found to management.

I would like to mention, however, something that has been done in U.S. Steel over the last several years, and which is not uncommon in industry today. The corporation has been reorganized into various lines of business, giving management people greater responsibility for conducting all of the functions associated with their operations—and making them accountable for results.

This approach is based on a belief that when people know the goals they are expected to meet . . . and when they are given adequate responsibility for doing what must be done to reach those objectives . . . they will perform their jobs with greater motivation, dedication and success. It is a pleasure to say that the results so far in U.S. Steel are proving this belief, even beyond what had been initially expected. This is mentioned not to imply that the magic answer to all management problems of U.S. Steel have suddenly been found. They haven't. But this does illustrate a vital element in achieving the goal of performance, and it applies as much in managing a university as in managing a profit-motivated company.

It is the recognition of the potential of people, and the desire of people to contribute to the success of the organization that provides them with opportunities to reach their potential. Our institutions of learning have long been the champions of giving people freedom to act. What is suggested is that the freedom to act be combined with the responsibility to perform, in accordance with the needs and objectives of the college or the university. As a matter of fact, it was the same belief in the potential of people that prompted U.S. Steel—through the U.S. Steel Foundation—to join with NACUBO to establish a Cost Reduction Incentive Award Program.

We were aware of institutions' growing struggle with rapidly rising costs, a struggle that has already been lost by some private colleges in this country. But something else was known from the U.S. Steel experience—and from the experience of thousands of private businesses across the land. Substantial contributions to efficiency and cost reductions have been made in industry for a number of years through programs that are designed to encourage total employee participation.

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Such a program has been used at U.S. Steel for some time and, within the last year, the same pattern was followed in the area of energy conservation. In this company, and in the steel industry generally, there has been good experience also with management-labor productivity committees in steel production areas.

No effort to achieve greater efficiency and reduced costs can be completely effective, unless it taps the imaginations and skills of all the people who may have something to contribute. After all, innovation isn't always a product of the laboratory. It is sometimes little more than the flash of inspiration that everyone has from time to time. This is obvious from the great variety of effective ideas, products and programs that were submitted in the past year to the

jointly sponsored Cost Reduction Incentive Awards Program. Their scope and their potential for wide application are very impressive. Many of the ideas submitted were designed to reduce the consumption of energy where there is great potential for cost savings. In this category, for example, is a completely new product—a phantom tube that is used in fluorescent light fixtures. It maintains an even level of illumination in work areas, but can reduce energy consumption by as much as two-thirds and produce other cost savings as well. Business and industry—and even private home owners—should also be interested in this product.

Colleges, Universities Reduce Costs

Energy is only one area where campus imaginations obviously have begun to tackle rising costs. A midwestern university expects to save almost a quarter of a million dollars a year by rearranging faculty teaching loads. A small college in Cleveland expects to save the same amount as a result of a comprehensive study of its custodial costs that produced a number of alternatives in an area that was consuming more than a quarter of its annual plant operating budget.

A university in Pennsylvania developed a new system for using its secretarial force, and has achieved not only a substantial increase in secretarial efficiency, but more effective student recruiting and fund raising. Another Pennsylvania institution has been waging a "War on Waste" that covers many areas and has already brought about several hundred thousand dollars in cost savings.

A western university expects to save more than half a million dollars with a device that automatically routes telephone calls the least expensive way. And an institution in Ohio discovered that it could save almost fifty thousand dollars annually by installing and operating its own telephone system—which incidentally has resulted in improved campus security and a system tailored to campus needs. There are savings programs that involve the use of agencies that employ handicapped people, as well as some that invite alumni to volunteer their time and services in a part-time capacity—and without replacing staff people. There are cost reductions from centralized purchasing, and one college has lowered its utility bills simply by installing a special washer in dormitory showers that reduces water consumption by two-thirds.

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An interesting aspect of this program is the number of good cost reduction and energy saving ideas that it has brought to the surface. In addition, it provides a means of letting others know about these ideas, so that they can be adopted—or adapted—in many other areas. To accomplish this, NACUBO will be distributing details of the winning ideas and programs to the three thousand institutions of higher learning in the United States.

In the contacts I've had with educational institutions, it has been my observation that management on the campus is generally pretty good. But no group of managers—regardless of their quality—can be expected to see all the possibilities for reducing costs throughout the organization. There is also the suspicion that naturally arises when management is the lone source of cost-reduction measures. It is to be hoped that, as time goes on, this awards program will help to develop a broad awareness of cost problems among those associated with institutions of higher education, and the need for a total campus approach to those problems. If and when that happens, the awards program will have made a more substantial contribution to the future of higher education in America than any amount of money it might be possible to contribute in the form of grants.

If there is a key to understanding why certain businesses survive during the good times and the bad . . . it can be found in the ability of some managers to ask the right questions of their associates.

No one can come to Washington these days without being reminded that a growing source of economic and related problems are originating right here in this city. It's true, of course, that business has been concerned about this situation for some time, as it has seen the long arm of government reaching into almost every aspect of business and industry.

One of this country's major corporations estimated earlier this year that government regulations of all types would cost that single company more than a billion dollars just in 1976. The price of submitting thousands of reports and tons of information to government agencies is said to be costing all business a minimum of eighteen billion dollars a year. And this cost—like the cost of meeting environmental standards and every other government regulation—has to be paid for, either through better productivity, reduced profits for business, or increased prices to the consumer.

Business is not alone in feeling the growing burden of governmental costs. The president of Harvard, in his most recent report to the Board of Overseers, also sounded a note of warning about the growing impact of federal regulations in higher education—on the admission of students, the selection of faculty members, the curriculum and even the scope and direction of university research efforts. He

pointed out that complying with federal regulations is now costing all higher education an estimated two billion dollars a year. This is equal to more than fifty cents out of every dollar contributed to education last year from private sources. This is a substantial cost burden, particularly at a time when both private and state institutions are struggling just to maintain their academic programs.

. . . when people know the goals they are expected to meet . . . and when they are given adequate responsibility for doing what must be done to reach those objectives . . . they will perform their jobs with greater motivation, dedication and success.

Federal funding represents a sizable source of income in education—one that many institutions today must have in order to survive. And of course it is by way of federal aid that government has presumed to call the tune in educational policies. But I have come more and more to believe that far too great a percentage of the regulatory cost burden everyone carries results from the fact that the bureaus and agencies of government answer to no one—certainly not to the American voter. The price paid for this is far too much duplication, unnecessary reporting of information to government, petty bureaucratic requirements, and unrealistic regulations that add to costs, but contribute little or nothing to either social or economic progress in this country.

I am convinced—as I believe President Bok of Harvard and others in education are convinced—that we cannot continue down this road much longer without risking a permanent change in our form of government, and without destroying many of the rights we now have to manage our own affairs. No one in this country—certainly no one in business or education—wants to see the nation become one of those dull, inefficient, problem-ridden societies where government domination of the people is a way of life. There is a very real danger that our government will become so immersed in its own red tape that it will destroy its ability to function.

Fortunately, some members of government—in the Congress particularly—are aware of these dangers and are suggesting ways to reverse the tide. But the voice of public opinion can still be a powerful influence on what happens in the Congress and throughout government. If all those who shoulder some responsibility for managing important resources in this nation want to keep that responsibility, they had better make certain that their voices are added to those who are already speaking out on this very critical matter.

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